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S E C R E T SECTION 01 OF 02 IRAN RPO DUBAI 000006

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [IR](#)

SUBJECT: BUSINESSMAN'S VIEW ON IRAN'S TIGHTER BANKING SECTOR AND IRGC  
PRESENCE IN IRAQ

REF: RPO DUBAI 0005

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CLASSIFIED BY: Jillian Burns, Director, Iran Regional Presence  
Office - Dubai, Department of State.  
REASON: 1.4 (d)

1.(S) Summary. According to a Dubai-based Iranian entrepreneur, private Iranian banks are not faring well. In particular, he predicted that Saman Bank will soon be bankrupt. The contact opined that the Iranian government has done more to damage cash flows in and out of Iran than recent actions taken by the US and the UN. In his opinion, US and UN actions only harm honest, legitimate business entities, as anyone wanting to move money and goods can do so via informal - and not always legal - networks. The businessman claimed that he is one of a handful of local Iranians engaged in legitimate business and not simply operating in Dubai to circumvent sanctions. He said in fact he no longer tries to conduct much business in Iran, because of the difficult operating climate. Regarding Iranian presence in Iraq, he claimed that some IRGC members there are actually retired and now in business. They are among the few businessmen who can "stomach" the investment climate and security environment there. End Summary.

Iranian banking

2.(S) In a February 13 conversation, a local Iranian entrepreneur told IRPoff that private banks in Iran are not faring well. He claimed that Saman Bank (owned by Khodro car manufacturers) is on the verge of bankruptcy because it overextended itself by opening letters of credit (LCs) valued at 2.5 times its actual collateral. In general, stated the entrepreneur, private Iranian banks offer loans and extend LCs on much more relaxed terms than state-owned banks. Despite the fact that private banks charge higher rates than the government imposed rates used by state banks, "easier" terms and a focus on customer service have attracted customers away from state banks.

3.(S) When asked if recent US and UN actions against Iran have impacted the price of LCs, the businessman said "one week after you took action, the Central Bank stopped all LCs in Iran." (Note: it was not clear if he was referring to US Treasury action or UNSC resolution 1737. Endnote) He continued, "I don't

know why they did that. Their restrictions have done more to harm business than anything the international community could have done." Reportedly, LCs are being opened again in Iran - albeit on a much slower basis. The contact said a committee at the Central Bank has to review every request for an LC. If opening a letter of credit from Dubai, the businessman said it is much better to use Standard Chartered than Dubai-based Iranian banks - as the rates are better at Standard Chartered. He said he had used HSBC in the past as well, but HSBC cut all of its business ties with Iran.

#### Impact of US and UNSC actions

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4.(S) The contact noted that in recent years "many" Iranians moved to Dubai and set up local companies with the express purpose of circumventing US sanctions. The entrepreneur claimed that he is one of a handful of Iranians based in Dubai with an almost wholly UAE market. He said if necessary, he could cut off all ties with Iran and remain in business. He claimed that US Treasury actions and UNSCR 1737 only serve to hurt legitimate business entities - like himself - who use formal, legal means to transfer goods and money. He said that individuals who want to get around the sanctions are able to do so through informal channels. Because of the extensive network between Dubai and Iran, the contact claimed that informal systems to move goods and money are quite deep-rooted. He claimed that one method to illegally move money from Iran to Dubai is to open an LC in Dubai and have the money transferred from Iran - absent any actual shipment of goods. The contact said all that is needed is a falsified bill of lading and certificate of origin. (Note: similar information reported in reftel by separate source. Endnote)

#### IRGC in Iraq

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5.(S) The contact noted that Iran has historic ties to many countries in the region, and Iraq is no different. The

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businessman claimed that some of what appears to be IRGC presence there may be in fact former IRGC members now engaged in business activities. The contact noted that former IRGC members are much more comfortable doing business in Iraq than the average individual. They are used to hostile environments, he said. It is possible they pass on information to the Iranian government, he said, just like a former US official working in the private sector abroad may continue to share information with the US government. (Note: The contact claimed ongoing friendships with former IRGC members from his time of mandatory military service, although he did not indicate whether he had done his service in that branch. Endnote)

6.(S) Comment: The contact indicated his motivation for speaking with IRPoff was a personal desire to promote positive US-Iran relations. Although critical of the Iranian government, he caveated all of his comments by noting that he sees himself as a mediator - trying to tell both sides the truth. He offered to arrange a meeting for IRPO with the new Iranian Ambassador to the UAE, former Foreign Ministry spokesman Asefi, which we respectfully declined. He commented that he was surprised by the appointment of someone as senior as Asefi to the UAE and mused whether it was a reaction to IRPO's presence here. He claimed that Asefi was relatively open-minded. In addition, the businessman clearly wanted to persuade the US that the current sanctions regime on Iran more negatively impacted legitimate businesses operating through formal, legal channels, not the Iranian government and illegal trade. Whether these were self-serving or genuine comments is not known. End Comment.

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